

Operational Policy

Policy title:	Reduction of Expense		
Policy number:	DHS OHA-040-015		
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Approved:	Jim Scherzinger, DHS COO Mark Fairbanks, OHA CFO		

Purpose

The Department of Human Services (DHS) and the Oregon Health Authority (OHA) are committed to communication and collaboration on operational policies affecting both agencies, including those developed by the Shared Service offices. The Office of Financial Services (OFS) ensures honesty, integrity and accountability by efficiently and effectively providing accurate, accountable and responsive financial management, management, and business services to their clients, stakeholders and employees. In this way OFS supports the DHS|OHA mission and ensures the agency is in compliance with state laws and federal policies, rules and regulations.

Description

This policy outlines the appropriate classification of incoming funds as reduction of expense as opposed to revenue. Use of appropriate classification is essential throughout budgeting, accounting, and reporting processes to prevent distorting the true cost of services and to reasonably estimate the resources required to provide those services.

The legislatively approved budget is intended to be the maximum amount of appropriation and limitation authority needed to meet program requirements and reflect true program costs.

Applicability

This policy applies to all DHS and OHA staff including employees, volunteers, trainees and interns.

As keepers of the public trust, all agency employees have a responsibility to comply with state and agency policies, administrative rule, and state and federal law. The agency takes this responsibility seriously and failure to fulfill this responsibility is not treated lightly. Employees who fail to comply with state or agency policy, administrative rule, or state and federal law may face progressive discipline, up to and including dismissal from state service.

Policy

1. The Office of Financial Services (OFS) shall ensure that the use of reduction of expense does not impede the ability of DHS and OHA to properly:
 - a. Estimate program revenues and expenditures.

- b. Allocate resources to achieve desired outcomes.
 - c. Measure program outcomes and progress toward desired outcomes.
 - d. Provide accountability at all levels for meeting program outcomes.
 - e. Provide credible, complete revenue and expenditure plans for the agency to reflect approved legislative policy and programs.
2. In accordance with the Governmental Accounting and Financial Reporting Standards, financial reporting shall demonstrate:
 - a. Whether resources were obtained and used in accordance with the agency's legislatively adopted budget.
 - b. Compliance with other finance-related legal or contractual requirements.
 3. Reduction of expense shall not exceed the actual expenditure.
 4. Reduction of expense shall occur within the same budgetary period.
 5. Reduction of expense may be used when:
 - a. Expenditures attributable to one fund are initially made from another fund, such as expenditures initially charged to the General Fund appropriation which should be charged to Other Fund limitation.
 - b. Recording a repayment of an overpayment.
 - c. DHS or OHA is being reimbursed by another state agency for an expenditure, such as, job rotations.
 - d. Recording reimbursements for specific costs associated with special events, including conferences and training.
 - e. Reimbursements from state programs are intended to reduce expenditures, such as reimbursement associated with the Employer-at-Injury program and the preferred worker program.
 - f. DHS or OHA is recovering insurance funds for state-owned equipment and property, such as recoveries for capital asset damage or impairments.
 6. When legal responsibility is established and collectability is assured or loss can be reasonably estimated monies received are generally recorded as revenue, not as a reduction of expense. External fund sources recorded as revenue include:
 - a. Trust accounts held in fiduciary capacity by DHS and OHA.
 - b. Fines, fees, licenses or permits.
 - c. Donations, sale or trade-in of equipment.
 - d. Receipts for third party liability, such as an individual's private health insurance, Medicaid, Medicare or Medicare plus Choice Plan funds.
 - e. Interest and penalties.
 - f. Final settlements and some inter-fund transactions
 - g. Admission or registration fees.

References

Oregon Revised Statute [411.220](#)

Governmental Accounting and Financial Reporting Standards

Governmental Accounting Standards Board (GASB), [Statement No. 11](#)

Oregon Accounting Manual, [20.10.00](#) and [20.40.00](#)

[Common Terms](#) for all Finance policies

[Common Terms](#) for all Administrative Services Division policies

Forms referenced

None

Related policies and guidelines

None

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Policy history

12/01/2008 Initial Release Department of Human Services

07/29/2015 Established joint DHS|OHA policy

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